



Economic Impact Analysis Virginia Department of Planning and Budget

16 VAC 5-32 – Required Records and Reports Virginia Employment Commission May 2, 2001

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

The Virginia Employment Commission (VEC) proposes to specify within these regulations the records that employers should keep in order to document that wages have been accurately reported and that taxes or refunds have been correctly computed and paid. Additionally, VEC proposes to amend language in the regulations so to allow electronic wage reports.

Estimated Economic Impact

Under the current regulations, employers are required to maintain financial records that are relevant to ensuring that wages are accurately reported and taxes or refunds are correctly computed and paid. The regulations do not specify the relevant documents. The proposed regulations would specify that particular records must be kept; the specific required documents are all payroll records, federal W2 and 1099 forms, and federal and state employment and income tax returns. Listing specific financial documents may help some employers to keep

better records that are relevant to ensuring that wages are accurately reported and taxes or refunds are correctly computed and paid. Additionally, keeping better records may help ensure that employers avoid presumptions in favor of their adversary in a dispute before the VEC. The regulations state that “if such records are not maintained, there shall be a presumption in favor of the party making an allegation...” This proposed regulatory change essentially clarifies current VEC policy and reduces the likelihood that employers would not follow their requirement for record keeping due to confusion over the requirement. To the extent that the proposed change does improve employers’ record keeping, it will enable VEC to make better-informed decisions.

VEC also proposes to amend regulatory language in order to allow electronic submission of quarterly reports by employers. According to VEC, employers will be permitted to file reports either via paper or electronically. Employers that choose to submit quarterly reports electronically would typically save \$1.36 in postage costs per year.¹ Electronic report submission may also save employers a small amount of labor time. Employers as a group will be better off with the electronic submission option since some will find it reduces their costs, while those that prefer traditional mail will retain that option.

The electronic report submission system would save VEC approximately \$15,709 to \$31,418 in mail processing labor costs. The agency would also save about \$15,716 to \$31,431 in postage. The labor and postage savings are based on VEC calculations that assume between five and ten percent of employers will use the electronic filing option. VEC’s postage and labor costs are paid directly by the federal government. The agency’s costs in creating the electronic submission system are also paid for with federal funds.

Businesses and Entities Affected

The approximately 161,000² employers that submit quarterly wage reports to VEC are affected by the proposed regulatory changes. Additionally, one firm that will help create the electronic submission system and one firm that provides mail-processing services to VEC will also likely be affected.

Localities Particularly Affected

All Virginia localities are potentially affected by the proposed regulatory changes.

¹ According to VEC, the quarterly reports are only one page for most employers.

Projected Impact on Employment

Establishing an electronic report submission system will likely reduce VEC's demand for mail processing services by an amount estimated to be equivalent to \$15,709 to \$31,418. The firm that supplies mail-processing services for the agency may reduce their employment by some small amount. Also, a different firm will help VEC create the electronic report submission system. The agency's demand for their services will likely lead this firm to employ more labor. Otherwise, the proposed regulatory changes will not significantly affect employment.

Effects on the Use and Value of Private Property

The proposed specification of required records may encourage some employers to keep such records who in the past had not. The proposed new language that allows electronic submission of quarterly reports by employers will prompt some employers to use this technology. The value of their firms may increase by a very small amount as their costs (labor and postage) may decrease by an equivalently very small amount. The firm which will help create VEC's electronic report submission system will increase somewhat in value with the increased demand for their services; while the value of the firm which provides mail-processing services for the agency may fall with the decrease in demand for their services.

² Source: VEC